

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 282 – SB 1102

March 23, 2011

SUMMARY OF BILL: Effective January 1, 2012, requires the health care plan benefits offered to state employees meet the requirements of a high deductible health plan as defined in federal law.

ESTIMATED FISCAL IMPACT:

**Decrease State Expenditures – Net Impact - \$53,000,000/FY11-12
\$109,000,000/FY12-13 and Subsequent Years**

Assumptions:

- According to the Department of Finance and Administration, federal law requires all high deductible health plans to have at least a \$1,200 deductible (\$2,400 for families) on all services.
- In 2009 there were 169,542 individuals covered by the state plan; 88 percent or 149,196 submitted an eligible claim. With a \$1,200 deductible, the Department estimates a shift of \$136,000,000 in medical expenses from the state to plan members. The average increase in medical expenses for plan members will be \$912 per year (\$136,000,000 / 149,196 members making claims).
- Member premiums will decrease by \$27,000,000 or \$159 per member (\$27,000,000 / 169,542). The state share of premiums will decrease by \$109,000,000.
- The Department estimates an increase in expenditures for the campaign to explain the changes in the state employee health plan to all employees. Based on the size of the plan, the geographic dispersion, and the socio-demographic composition, the campaign will increase one-time state expenditures by \$1,500,000.
- Given the effective date of January 1, 2012, the net impact in FY11-12 will be a decrease in state expenditures of \$53,000,000 [(\$109,000,000 x 50%) - \$1,500,000].
- The recurring decrease in state expenditures will be \$109,000,000.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director

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